

J. Harris & Sons, Limited

ANNUAL REPORT 1972





INTEGRATED SERVICES

From its two-plant headquarters at Stoney Creek, Ont. — and from seven branch offices in Eastern Canada and the Maritimes — J. Harris & Sons offers a range of integrated services to the construction industry.

Traditionally the company has specialized in fabrication and erection of steel for reinforced concrete. J. Harris also manufactures steel bar supports and other metal form items which are related to reinforced concrete and other construction work. Another subsidiary designs, supplies and erects a post tensioning system that has been used successfully on bridge building applications and other industrial projects.

In recent years the company has developed a profitable industrial wire manufacturing division. This is a fast-growing area where demand for J. Harris products has brought expansion to our Stoney Creek manufacturing facilities (photo, top left).

As many as 40 J. Harris field crews may be active at one time, working on projects that range from remedial work on reinforced concrete to multi-million dollar contracts involving thousands of tons of steel.

At Stoney Creek, and on job sites as required, field crews are supported by experienced technical personnel, including detailers, estimators, and engineers.

In all areas J. Harris operates under strongly-centralized management controls which determine work standards — and profitability factors for the company. In-house computer facilities are used extensively for accounting applications and to provide management with specialized information systems. Computer readings also assist in the important role of estimating.



At the company's Stoney Creek facilities, a sophisticated work force of 150 administrative, technical and plant manufacturing employees provide key skills and services for the completion of J. Harris job-site projects (right).



J. HARRIS & SONS, LIMITED

(Incorporated under the laws of Ontario)
and its subsidiary companies

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Accounts receivable
Inventories of raw materials and work-in-progress,
valued at the lower of cost or net realizable value
(note 5)
Due from officer
Prepaid expenses

Total current assets

1972
\$ 3,859,789

1,093,077
9,330
21,438

4,983,634

1971
(note 1)

\$ 3,448,037

1,708,681
13,225
21,534

5,191,477

INVESTMENTS, at cost:

Shares in another company
Mortgage

28,500
48,277
76,777

28,500
48,914
77,414

FIXED ASSETS, at cost:

Land
Buildings
Machinery and equipment

71,674
246,211
2,075,495

2,393,380
1,455,583
937,797

71,674
225,988
1,912,601

2,210,263
1,283,745
926,518

Less accumulated depreciation

OTHER ASSETS:

Goodwill, at cost

50,000

\$ 6,048,208

50,000

\$ 6,245,409



DECEMBER 16, 1972

(with comparative figures
at December 18, 1971)

LIABILITIES

CURRENT LIABILITIES:

Bank indebtedness (accounts receivable pledged as security)

Accounts payable and accrued charges

Due to director

Income taxes payable

Deferred income taxes — current portion

Dividends payable

Long term debt due within one year

Total current liabilities

DEFERRED INCOME TAXES

LONG TERM DEBT:

8% mortgage, due October 1, 1975 (note 2)

Less amounts due within one year included with current liabilities

SHAREHOLDERS' EQUITY:

Capital (note 3) —

Authorized:

2,000,000 shares without par value

Issued:

885,800 shares

Retained earnings

1972

1971
(note 1)

\$ 1,270,836

\$ 1,214,735

2,148,276

2,370,266

20,334

31,156

85,327

190,406

142,379

177,814

22,145

39,942

36,929

3,729,239

4,021,306

134,000

206,699

117,689

154,618

39,942

36,929

77,747

117,689

377,451

348,951

1,729,771

1,550,764

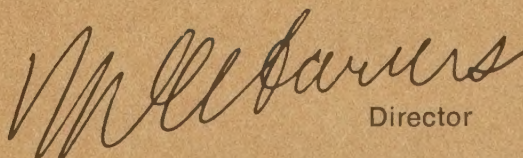
2,107,222

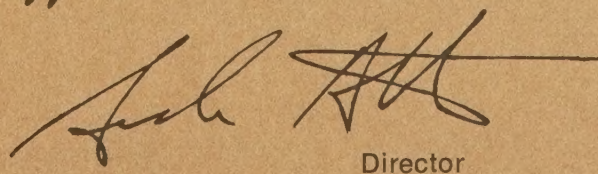
1,899,715

\$ 6,048,208

\$ 6,245,409

On behalf of the Board:


Director


Director

(See attached notes)

J. HARRIS & SONS, LIMITED
and its subsidiary companies

**CONSOLIDATED STATEMENT
OF PROFIT AND LOSS**

YEAR ENDED DECEMBER 16, 1972
(with comparative figures for 1971)

	1972	1971 (note 1)
SALES	\$15,794,397	\$14,562,089
PROFIT BEFORE THE FOLLOWING	\$ 667,681	\$ 634,318
DEDUCT:		
Depreciation	192,724	198,396
Interest on long term debt	10,589	13,523
	203,313	211,919
PROFIT BEFORE INCOME TAXES AND EXTRAORDI- NARY ITEM	464,368	422,399
INCOME TAXES	221,000	192,977
NET PROFIT BEFORE EXTRAORDINARY ITEM	243,368	229,422
EXTRAORDINARY ITEM:		
Income tax reductions resulting from the carry-for- ward of losses in prior periods	39,600	5,400
NET PROFIT FOR THE YEAR	\$ 282,968	\$ 234,822
EARNINGS PER SHARE (note):		
Net profit before extraordinary item	27.6¢	26.2¢
Net profit for the year	32.1¢	26.9¢

NOTE: The exercise of the stock options referred to in note 3 would not result in any material dilution of earnings per share. (See attached notes)



CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1972	1971 (note 1)
RETAINED EARNINGS, beginning of year:		
As previously reported	\$ 1,574,729	\$ 1,324,397
Sales tax assessment applicable to prior periods	20,494	16,855
Adjustment of 1971 cost of sales	27,471	
	47,965	16,855
Less income taxes thereon	24,000	8,400
	23,965	8,455
As restated (note 1)	1,550,764	1,315,942
NET PROFIT FOR THE YEAR	282,968	234,822
	1,833,732	1,550,764
DEDUCT:		
Tax exempt dividends declared during year	88,367	
Special taxes paid by company relating to tax exempt dividends	15,594	
	103,961	
RETAINED EARNINGS, end of year	1,729,771	1,550,764

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1972	1971 (note 1)
SOURCE OF FUNDS:		
Net profit for the year	\$ 282,968	\$ 234,822
Charges (credits) to operations not involving an outlay (receipt) of funds:		
Depreciation	192,724	204,359
Deferred income tax reductions	(72,699)	(58,185)
Funds derived from operations	402,993	380,996
Mortgage payments received	637	14,872
Proceeds from issue of shares	28,500	
	432,130	395,868
APPLICATION OF FUNDS:		
Additions to fixed assets (net)	204,003	72,582
Dividends declared and special taxes related thereto	103,961	
Decrease in long term debt — non current portion	39,942	36,929
	347,906	109,511
Increase in working capital	84,224	286,357
Working capital, beginning of year	1,170,171	883,814
Working capital, end of year	\$ 1,254,395	\$ 1,170,171

(See attached notes)

**J. HARRIS & SONS, LIMITED
and its subsidiary companies**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

1. Reclassification and restatement of comparative figures

Certain 1971 figures not significant in themselves have been reclassified for comparative purposes. In addition the balance of retained earnings at December 18, 1971 previously reported as \$1,574,729 has been restated to show a retroactive charge of \$23,965 (after applicable income tax credits of \$24,000) representing an adjustment to cost of sales for 1971 and sales tax assessments during 1972 pertaining to prior periods. Of the restatement, \$15,510 is applicable to 1971 and has been reflected as an adjustment in the comparative income statement shown for the year. The remaining \$8,455 is applicable to years prior to 1971.

2. Mortgage payable

The aggregate amount of principal payments required in each year until maturity is as follows:

1973	\$ 39,942
1974	43,201
1975	34,546
	<u>\$117,689</u>

3. Capital stock

During the year 12,000 shares were issued for cash of \$28,500 under the terms of employee stock option plans. At December 16, 1972 options to employees were outstanding to purchase 8,000 shares at \$3.25 per share to September 16, 1973 and 8,750 shares at \$1.35 per share to September 9, 1975.

4. Remuneration of Directors and Senior Officers

Remuneration of Directors and Senior Officers of the company as defined by The Ontario Business Corporations Act (1970) for the year ended December 16, 1972 amounted to \$170,662 (of which \$3,000 is directors fees).

5. Inventories

Inventories consisted of the following:

	1972	1971
Raw materials	\$ 963,880	\$1,581,307
Work-in-progress	56,346	65,012
Finished goods	72,851	62,362
	<u>\$1,093,077</u>	<u>\$1,708,681</u>

6. Contractual obligations

The company is committed to various leases with rentals totalling approximately \$69,000 expiring at various dates to 1981.

AUDITORS' REPORT

To the Shareholders of J. Harris & Sons, Limited:

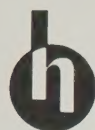
We have examined the consolidated balance sheet of J. Harris & Sons, Limited and its subsidiaries as at December 16, 1972 and the consolidated statements of profit and loss and retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated financial statements present fairly the financial position of the companies as at December 16, 1972, the results of their operations and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the previous year were examined by other chartered accountants.

Toronto, Canada,
March 30, 1973.

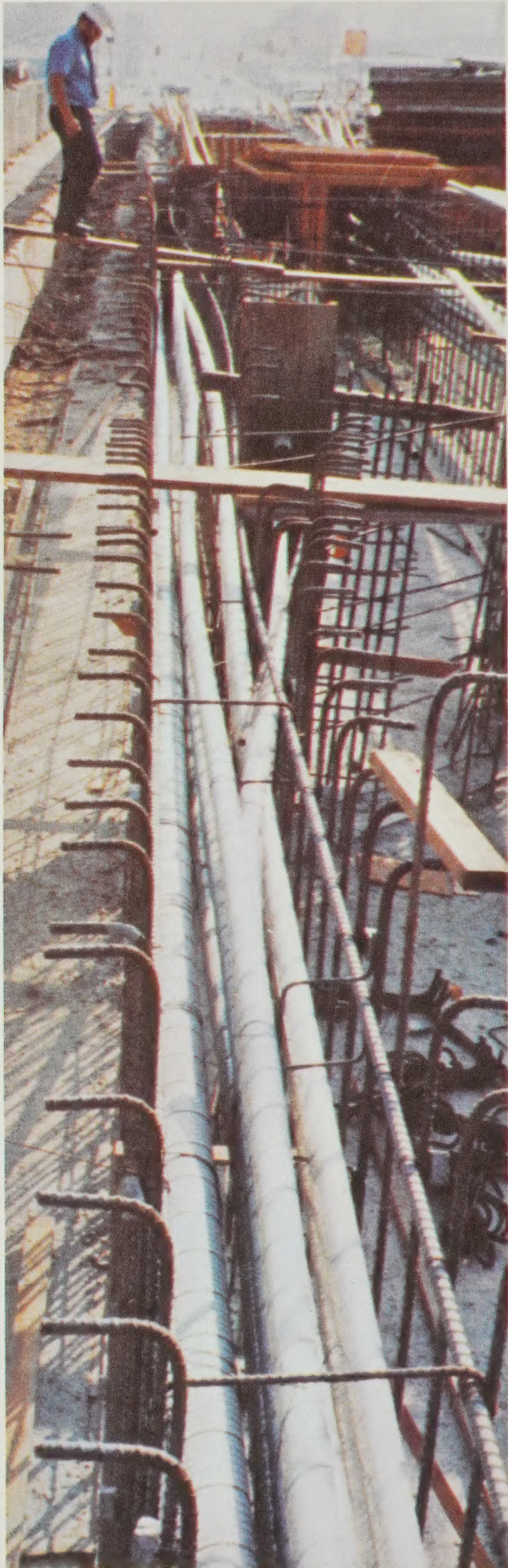
CLARKSON, GORDON & CO.
Chartered Accountants



FINANCIAL SUMMARY

	1972	1971	1970	1969
Revenue	\$15.8m	14.6m	13.0m	13.7m
Profits	\$282,968	234,822	188,646	94,033
Per Share (A)	32.1¢	26.9¢	21.6¢	10.8¢
Funds Provided	\$402,993	380,996	319,750	381,044
Per Share (A)	45.7¢	43.6¢	36.6¢	43.6¢
Dividends (A)	10¢	—	3.1¢	12.3¢
Effective Tax Rate (including deferred)	48%	46%	55%	45%
Return on Capital	13.4%	12.4%	11.3%	6.3%
Financial:				
Assets	\$6.04m	6.2m	5.9m	6.4m
Long-term debt	\$117,689	154,618	188,761	240,779
Current Assets	\$4,983,634	5,191,477	4,720,160	5,071,427
Current Liabilities	\$3,729,239	4,021,306	3,836,346	4,399,853
Working Capital	\$1,254,395	1,170,171	883,814	671,574
Current Ratio	1.3:1	1.3:1	1.2:1	1.1:1
% Inventory to Current Assets	22%	33%	23%	32%
Capitalization:				
Common shares	\$377,451	348,951	348,951	348,951
Retained Earnings	\$1,729,771	1,550,764	1,315,942	1,154,602
Shareholders Equity	\$2,107,222	1,889,715	1,664,893	1,503,553
Per Share (A)	\$2.39	2.18	1.91	1.72

A — Based on average number of shares outstanding.



J. HARRIS & SONS, LIMITED